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Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2012-230

Dear Sir or Madam:

Mayer Hoffman McCann P.C. (MHM) welcomes the opportunity to comment on the Private Company Decision-Making Framework (“Framework”) Discussion Paper. MHM is a national accounting firm with offices in over 35 locations across the country. We perform a wide variety of services including audit and accounting related services for a diverse client base that includes both public and private entities.

Before providing our observation and comments on the Framework, we want to acknowledge the recent comments made by the Chairman of the Private Company Council (PCC) during the recent AICPA Fall Council presentation. We support the idea of exploring the possibility of modifications for all companies – private and public. This “holistic” approach as described by Chairman Atkinson should be rigorously pursued prior to debate over the nature and substance of alternatives solely for private companies in accordance with a private company decision making framework. While we agree alternatives may be necessary for private companies, it is our hope that the Financial Accounting Standards Board (FASB) will work closely with the PCC in its advisory capacity to achieve this holistic approach prior to the deliberation and adoption of alternatives solely intended for private companies. We believe the benefits identified by the Financial Accounting Foundation in creating the Private Company Council apply to public entities as well; particularly the many small and medium size public companies that contribute significantly to our economy.

In submitting our response to your request for comment, we recognize the importance and difficulty of creating a framework for evaluating financial accounting and reporting guidance for private companies. However, in general, we are not in favor of a framework that would result in significant recognition and measurement differences between public and private entities. In the event a framework is approved that provides for, or ultimately leads to significant differences in recognition and measurement, we would question whether the private company framework should be referred to as U.S. GAAP. The phrase “generally accepted accounting principles” has evolved over time to reflect the efforts of many of the best minds in the accounting profession. It refers to a body of accounting guidance that is almost universally

regarded as the “best in show”. There will come a point at which a framework that allows significant recognition and measurement differences from existing GAAP will result in a set of accounting standards that cease to qualify for what the users of financial statements and the financial reporting community now recognize as GAAP. To the extent that significant recognition and measurement differences are contemplated, we suggest that the frameworks be differentiated in title, for example, U.S. GAAP for Private Companies.

While we believe the Staff has done an excellent job in identifying the appropriate differential factors between private and public companies, we have concerns that such factors may have practical limitations in identifying differences between public and private company financial reporting. For example, we agree that users of private company financial statements may have greater access to management and therefore, access to more detailed financial information relevant to that particular user. However, given the wide disparity in the nature and management of private companies (and therefore wide disparity in information that might actually be available to users of such financial statements), and level of access granted to different users, we question if this should truly be used to develop differences for purposes of private company financial reporting (albeit secondary to the objective of relevancy)? We also question if this provides an appropriate basis for determining the information to be presented in a set of general purpose financial statements. Further, trying to ascertain what information users of financial statements might actually have access to places an undue burden on the FASB and PCC not to mention the impact of “second guessing” which is so prevalent in our litigious society. As such, we believe the red flag approach, as described in paragraphs BR43 – BR44 of the Framework would result in significantly less relevant disclosures which would not meet the needs of all users of a set of general purpose financial statements. As described in paragraph BR45, users of private company financial statements include regulators, vendors, and other who do not have, or do not intend to have, ready access to management for the purpose of understanding the details of “red flags”. We do not believe this meets the intended purpose of a set of general purpose financial statements.

Differential factor VI “learning about new financial reporting guidance” appears to be implied in factor V “accounting resources”. Regardless of what framework is ultimately enacted, preparers of financial statements face the burden of understanding the requirements necessary to prepare financial statements in accordance with the applicable framework. We question whether the FASB and PCC should concern themselves during the standard setting process with how preparers of private company financial statements learn about new financial reporting guidance. The major point of concern is that private companies need more time to understand and adopt changes to generally accepted accounting principles, which is adequately captured by differential factor V. In our experience, there are plenty of vendors providing training related to new accounting pronouncements. It is not the availability or the timing of when such resources are available as much as it is the simple lack of resources at private companies necessary to focus on new financial reporting guidance.

We agree with the conclusion in the Framework that industry-specific guidance is equally applicable to both private and public companies. Users of financial statements, public and private, are not industry specific, and thus, reasons for differences between the two should be minimal, if any at all. In our experience, private companies rely heavily on existing industry guidance and we have observed no discernible

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difference in their attitude or desire to adhere to industry guidance when compared to their public company counterparts. However, there may be areas in which the factors related to relevance to users and cost and complexity apply to accounting principles that are prevalent in a certain industry or industries and indicate an exception should be considered.

However, we would not want the Framework to eliminate such matters from consideration simply because they are prevalent in a certain industry. An example may be related to accounting principles which generally impact employee benefit plans, including fair value measurements and disclosures for private company securities held in employee stock ownership plans. We disagree that employee benefit plans should not be considered a private company with respect to the Framework. The primary users of employee benefit plan statements are the participants in the respective plan. These participants typically have a greater level of access to plan information and additional details than does a typical investor or lender to management.

The question of how the adoption of the allowable differences will be implemented is also of importance. In the event that actual differences in recognition and measurement are minimal and not significant, we would support a flexible approach to adoption, meaning that selective adoption ("piecemeal") would be acceptable as we do not believe the comparability of one entity to another would be significantly impacted and the presentation would not become confusing to users. However, should the Framework allow for significant differences in recognition and measurement, we would only support an "all or nothing" approach as comparability would be increasingly compromised.

We recognize that private companies face significant resource challenges both in the number and quality of accountants on staff. Accordingly, we generally support allowing private companies a one-year deferral beyond the first annual period required for public companies to adopt new guidance. As suggested by the Framework, under certain circumstances, such as the need to correct for identified abuses, a shorter period may be necessary. We also agree with considering and allowing different transition methods for private companies as users of private company financial statements are generally less concerned with restating prior periods to reflect the adoption of a new accounting standard. We believe it would be rare that the time and effort to reflect such restatement of prior periods would support the benefit provided to the financial statement users. We believe that flexibility with respect to both the amount of time to adopt new standards and the method in which such standards are adopted is an excellent approach to assisting private companies with the burden of financial reporting.

We appreciate the opportunity to provide comments on the Discussion Paper. Please contact Ernie Baugh, James Comito or Michael Loritz if you have questions.

Respectively Submitted,

Mayer Hoffman McCann P.C.